

Implementation of the 2015 Property Tax Reform Among District Councils in Tanzania

1Einstern Alexander Mwankupili, 2Dr. Hamza Ismail Abdulrahman, 3Samson Simon Msilu

1Department of Local Government Administration and Management, Local Government Training Institute

2Department of Economic Law, University of Dar Es Salaam

3Department of Community Development, Local Government Training Institute.

Abstract : *This paper explores the implementation of property tax reform in District Councils in Tanzania with a special focus being the reform introduced by the 2015 Finance Act; Pangani, Lindi, Muheza and Korogwe District Councils are the case Councils in this paper. The paper explores whether processes necessary for the introduction of the tax such as bylaws making, property identification, and valuation, preparation of valuation roll, rate setting, and actual collection were undertaken in the Councils. The main objective of this paper is to explore the extent to which District Councils have implemented the reform. The study found that for the second year since the reform took place, the Councils were still unable to implement the reform.*

Keywords: *Property Tax Reform, Property Tax Exemption and Local Government Authorities*

1. Introduction

Property tax commonly known as property rates is one of the few important mechanisms through which local authorities can exercise a measure of autonomy and determine policies that shape their local communities.¹ A number of challenges among others, the ping-pong of its administration have hampered its exploration. There is a concrete belief that if it well designed and implemented, property rates can account for almost half of a local government's own-source revenues.² This paper explores the implementation of the 2015 property tax reform, which gave District Councils a mandate to collect the rates in Tanzania.

There are two types of Local Government Authorities (LGAS) in Tanzania; Urban Authorities and Rural/District Authorities. The former are established in urban areas under the Local Government (Urban Authorities) Act³ and they consist of the City Council, Municipal Council and the Town Council⁴ while the latter are established in rural areas under the Local Government (District Authorities) Act⁵ and they include the District Council, Township Authority and the Village Council⁶.

Property rates has been a subject of various reforms geared towards achieving revenue autonomy of the local government authorities in Tanzania. The 2015 property tax reform is considered in this paper as the most significant reform of the tax touching District Councils in the country. This is so due to the reasons among others, that firstly; it widened the scope of the tax up to the District Councils level, secondly; it enhances own source revenue of the Councils which were dependent on poorly yielding sources of revenue such as produce cess⁷ and, lastly, a large portion of rural wealth which was left untapped by the governments is now brought within the tax net of the District Councils which is in line with principles of equity.

It is worth noting that prior to this reform, District Councils were not legally mandated to collect the tax and the tax was collected only by Urban and Township Authorities since 1983.⁸ District Councils had no mandate to administer and collect the tax, even where they had a number of premises from which good revenue could be collected because of lacking such necessary legal mandate.⁹

¹ SULGO, Property Rates Quick Guide, p. 4

² Ibid

³ CAP 288 R.E 2002

⁴ Section 3 of CAP 288

⁵ CAP 288 R.E 2002

⁶ Section 3 of CAP 287

⁷ Roy Kelly, *Property Rates in Tanzania*, Duke University available on <http://www1.worldbank.org/publicsector/decentralization/june2003seminar/tanzania.pdf>

⁸ Section 3 of the Urban Authorities (Rating) Act, CAP 289 RE 2002

⁹Ngoyo, L., et al., *Factors Affecting Internal Revenue Mobilization in LGAs in Tanzania*, (pp.58-74). Vol.3 LGD Journal, (2015)

This triggered debates and discussions among researchers who recommended for reforms as far as the administration of property tax in District Councils is concerned. Researchers argued that a large portion of rural wealth was left untapped by the government while rural districts continued to rely on the agriculture cess,¹⁰ whose administration and collection is featured with poor yield.¹¹

This paper therefore explores how aggressive have the Councils been in embracing and implementing the reform in a span of two financial years since the property tax reform took place. The paper explores whether the councils have undertaken the mandatory steps in introducing the tax such as bylaws making, property identification, property valuation, preparation of the valuation roll, rate setting, and actual collection within the period under study.

The paper is significant because firstly; its results will be a lesson to other Councils by drawing inferences of best practices (if any) from the Case study councils, secondly; it highlights suggestions for effective property rates reform in Tanzania, it further highlights challenges in implementing the reform in the Councils and suggest ways that are to be followed in order to effectively implement the reforms thereto, and lastly; the paper adds the literature in the area of property rates reform in Tanzania hence forming part of the available references for other researchers who may be interested in this area of study.

2. Research Methodology

This part contains methodologies, which were employed in this paper. It explains the methodological approach, sampling technique, and data collection methods as well as data analysis. The choice of the methods hereunder was based on the nature of the study.

2.1 Methodological Approach

This paper employs a qualitative methodological approach and uses a case study design. Morrow & Smith, (2000) suggests that the purpose of qualitative research is to understand and explain participant meaning. More specifically, Creswell (1998) defines qualitative research as, an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. In most cases, a case study method selects a small geographical area or a very limited number of individuals as the subjects of study.¹²

This methodological approach is opted in this paper due to its relevancy with the nature of the paper, which was explorative, aiming at understanding the participants' meaning in the course of investigating the implementation of the reform in a limited number of Councils as subjects.

2.2 Sampling Technique

This paper uses a non-probability convenience sampling technique. Non probability sampling is a technique by which samples are gathered in a process that does not give all the participants or units in the population equal chances of being included.¹³ Convenience sampling (also known as Haphazard Sampling or Accidental Sampling) on the other hand is a type of non-probability or non-random sampling where members of the target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study.¹⁴ The technique is thus employed in this paper and participants were chosen because of their willingness of to participate in the study, and were easily be accessible to the researcher.

Four District Councils met the selection criteria and were included as case studies that is; Pangani, Lindi, Korogwe and Muheza District Councils. Legal Officers from the case Councils were the key respondents because they were the key players in the making of property rates bylaws which is a preliminary stage in the introduction of the tax at the Councils level. Among others, it is a requirement of the law that these by laws are in place so as to avoid taking the property rates by surprise and adhering to the principles enshrined under article 138 of the Constitution of the United Republic of Tanzania.

¹⁰ Roy Kelly, R., *ibid.* p. 5

¹¹ *Ibid.*, p. 5

¹² Zainal, Z., *Case paper as a research method*, Faculty of Management and Human Resource Development ,UniversitiTeknologi Malaysia (2007) p. 1

¹³ Missing

¹⁴ Dörnyei, Z. (2007), *Research methods in applied linguistics*, New York: Oxford University Press.

Bylaws are vital instruments for property taxation in Tanzania and they provide for customization of the property tax legislation, setting the rate payable by residents in Councils,¹⁵ exempt any part of its area from the tax,¹⁶ setting due dates and the number of installments for the tax, methods of assessing the rates¹⁷ and other matter which are not specifically provided for in the principal legislation.¹⁸

2.3 Data Collection Methods

An interview guide developed by the researcher was sent via e-mails to the respondents together with a special request for responses. Positive responses to participants were received from the respondents and calls were made to all the respondents by the researcher at the comfort of the respondents' time as they suggested. In-depth telephone interviews were made in about twenty minutes and the recorded responses were re-sent to the respondents for verification a day after the interviews.

Telephone interview was preferred by the researcher as a means of gathering information due to the fact that this method was more economical, quicker, and easier to administer and had no impact to the response of participants as well as the validity of the information obtained.

Research shows that when comparing the telephone interview with other methods of gathering data, the telephone is equally as effective as the personal interview (Rogers, 1976).¹⁹ Wiseman, 1972²⁰ compared the telephone with the mail questionnaire and personal interview, and found that the responses to these three methods were quite similar.

2.4 Data analysis

Explorative questions were asked during the study. The questions sought to explore the participants' understanding of the property tax reform at their councils' context and how the same has been implemented. The main questions posed to the respondents were first; whether the Councils were aware of the recent property tax reform and if they have made property tax bylaws, second; whether they have undergone property identification for taxation purposes.

The third question aimed to get the elucidation of initiatives that were undertaken by the Councils to value property for taxation purposes; the fourth question attracted responses as to whether or not the Councils were collecting the tax, the fifth question aimed to explore if the Councils could be able to collect the tax by the second year of the reform and lastly; the sixth question aimed at obtaining information on challenges that hinder the implementation of the reform in the Councils.

These questions triggered the emergence of a pattern of themes that were grouped to analyze the responses in the course of papering the implementation of the reform, which were mainly four, including that which showed the making of property tax bylaws, collection of the tax, and other responses towards the reform by the district councils. The themes shall be presented in details at part four, which presents the findings of the study.

3. Property Tax Reforms in Tanzania

The Government of Tanzania, embarked on a major property tax reform project in the year 1993. The reform was developed as part of the Urban Sector Engineering Project (USEP), which was launched with financial assistance from the World Bank and Norwegian Assistance for Development (NORAD).²¹

¹⁵Section 15 and 18 (c) of this Local Government Finance Act allowed local authorities to impose a flat rate property tax by enacting local by-laws which were subject to central government approval.

¹⁶ Section 2 (2), UARA

¹⁷ SULGO, loc. Cit, p. 6

¹⁸ Kelly, R. and Musunu, Z., *Implementing Property Tax Reform in Tanzania*, Lincoln Institute of Land Policy, Working Paper (2000), p. 6

¹⁹ Rogers, Theresa F., "Interviews by Telephone and in Person: Quality of Responses and Field Performance," *Public Opinion Quarterly*, 40 (Spring 1976), 51-65.

²⁰Wiseman, Frederick, "Methodological Bias in Public Opinion Surveys," *Public Opinion Quarterly*, 36 (Spring 1972), 105-108.

²¹Kelly, R. and Musunu, Z., *Implementing Property Tax Reform in Tanzania* (2000), Lincoln Institute of Land Policy Working Paper, p.8

Comprehensive infrastructure development project was said to be the main objective of the USEP. Under the project, municipal restructuring were undertaken and improving urban financial management was also undertaken which aimed at local revenue enhancement. Priority infrastructure rehabilitation engineering designs were prepared as well.²²

Under the USEP project, it was realized that there was a great under-utilization of property rates as revenue source in Dar es Salaam, hence the project insisted on revenue enhancement as well as mobilization of own-source revenue through property taxation in the city in order to generate sufficient funds.²³

Further analysis during the USEP project identified the lack of valuation rolls as the primary obstacle to improved property revenue generation. The tax was administered in a flat rate design, instead of being *ad valorem* tax. The project, therefore, aimed at shifting such taxation style to the proper mode which is commonly used around the world and which adheres to the principles of equity of taxation. As a result, a valuation roll was created for the city.²⁴

2.5 Property Tax Reform Phase One

Stage one was to cover the core business section of the town with approximately thirty thousand buildings (30,000) located in 6 zones. This Phase was to cover approximately seventeen thousand (17,000) buildings located in 4 other zones, while Phase three would cover the remaining properties.²⁵

At the first phase of the reform emphasis was placed on property identification and valuation. Thus; the government, using maps which were produced in 1992, established a system of categorizing buildings and developed a system to identify the buildings, assigning identification numbers thereto and collecting all the relevant site information on each building. This reform ended in 1996.²⁶

2.6 Property Tax Reform Phase Two

Phase two of the reform commenced in January 1999.²⁷ This phase kept on insisting that property taxation was a reliable and stable mechanism for local revenue mobilization. The phase was virtually identical to Phase One. Priority was once again placed on creating valuation rolls, and outsourcing the collection exercise. The specific Phase Two objective was to expand the valuation roll by approximately 17,000 buildings in Dar es Salaam up to twenty four thousand (24,000) buildings in the other eight municipalities. In addition, the phase aimed at updating the previous valuation rolls.

Lessons learned from Phase One, led the Government to bring major changes to the field of data collection processes. In this second phase instead of the private sector contractors conducting both functions of enumerating and valuation of the buildings, the enumeration responsibility was moved to the government valuation surveyors.²⁸ The government valuation surveyors were using maps to allocate and to number all buildings to ensure the availability of a realistic comprehensive tax base coverage which was necessary for the planning and estimating the tax.²⁹

2.7 Property Tax Reform Phase Three

Phase three commenced in 2001 onwards, this phase aimed to complete the valuation roll for Dar es Salaam and further expand the valuation rolls in other localities.³⁰ This phase was comprehensive and went beyond the property valuation exercise.³¹ In the year

²² The USEP project was targeted to provide infrastructure and technical assistance support to nine urban centers, which included Dar Es Salaam, Morogoro, Iringa, Mbeya, Arusha, Tanga, Tabora, Mwanza, and Moshi, Roy *ibid*, p. 17[*endnote* 1]

²³ *Ibid*, p. 8

²⁴ *Ibid*

²⁵ *Ibid*, p. 9

²⁶ Roy Kelly, *Property Rates in Tanzania*, Duke University p.5, available on <http://www1.worldbank.org/publicsector/decentralization/june2003seminar/tanzania.pdf>

²⁷ *Ibid*

²⁸ Kelly, R. and Musunu, Z., *Implementing Property Tax Reform in Tanzania* (2000), Lincoln Institute of Land Policy Working Paper, p.11

²⁹ *Ibid*

³⁰ *Ibid*

³¹ For example LGFA was amended by adding it Section 17A allowing LGAs to use electronic means in revenue. The Section reads "17A(1) For purpose of better revenue control, a Local Government authority may, among other means of revenue collection, payment and management, use electronic revenue collection, payment and management systems".

2008 the reform involved relocation of the rates collection Agency from the former local government Authorities to the Tanzania Revenue Authority (TRA) for the period of five years from 1 August, 2008 as pilot study awaiting the rolling out of the collection by the TRA all over the country should the collection exhibit positive results.³² Then with effect from April 2014 the collection was returned to Local Government Authorities. Data available show that this project did not bring favourable results as TRA did not do what was required of it.³³ The latest reform under phase three was introduced by the Finance Act, 2015. This part of the third phase of the reform is the centre of this paper.

The reform listed property rate as one of revenue sources for District Authorities under Section 7 of the LGFA, the FA added immediately after paragraph (z) of Section 7 (1) to LGFA a new paragraph (aa) which added all monies derived from property rate as a source of revenue for District Councils.³⁴

Section 1 of the Urban Authorities (Rating) Act (UARA) was amended and the Act is to be cited as the Local Government Authorities (Rating) Act instead of the former citation as the Urban Authorities (Rating) Act.³⁵ Section 2 of the Act was amended so as to apply to the District Councils, Township Authority and Urban Authorities.³⁶ As stated above therefore, the main objective of this paper is to explore the extent to which the Councils have responded to this property tax reform.

3. Findings and Discussions

This section presents finding of the paper, it discusses themes that emerged in the course of studying the implementation of property tax reform among the case Councils. Themes that emerged during the study include the response of the respondents regarding actions taken by Councils through reflection of the reform in the Councils' bylaws, collection of property rates in the Councils and other implementation processes.

3.1 Making of Property Tax Bylaws

The study found reluctance in the part of the case study Councils as far as the making of property tax bylaws in concerned. All the case Councils have not reflected the reform through making property tax bylaws. Hence the Councils were not sure whether they will be able to start collecting the tax in the next financial year starting on 1 July, 2016. This case was depicted from the responses of three participants who generally responded that they were not sure whether their Councils will be able to start collecting the tax by the next financial year. The finance Act 2016 has nevertheless, relocated the duty to collect property rates to the Tanzania Revenue Authority again which in a way preempts the efforts by the Local Government Authorities to collect the rates.

One may argue that the Councils may charge the tax based on the principal legislation; however, as stated above this assumption is impracticable because the prevalence of bylaws is vital in any effort of implementing property taxation. Further, the Local Government Finance Act³⁷ requires the local government authorizes to effect the system by among others, making sufficient rates³⁸ and provide for the rating methods³⁹ which are actuated by the bylaws.

In Tanzania bylaws are important to set the rate payable, due dates and the number of installments for the property taxes as well as methods of assessing the rates and other matters which are not provided for in the principle legislation.

³² Section 31B (6) of the Local Government Finances Act, CAP 290 as added by the Financial Laws (Miscellaneous Amendment) Act of 2008

³³ Fjeistad, O.H and M. Magongo. Political Economy of Property Tax Collection in Tanzania, Paper Prepared For International Centre for Tax and Development, (2011), 23. The paper notes that as a consequence of weak enforcement machineries tax collection was assigned to TRA a pilot study who were left with the responsibility of administering property tax through updating of valuation roll and rating process.

³⁴ Section 24(b) of the Finance Act, 2015

³⁵ Section 29 of the FA,2015

³⁶ Section 30 (b) of the FA,2015

³⁷ Cap. 289 R.E. 2019

³⁸ See section 17 [14] of Cap. 289 R.E. 2019

³⁹ Ibid section 18 [15]

3.2 Property Identification

In order for any local government to introduce property tax and estimate the amount to be collected, it is necessary that the Council identifies and register the property.⁴⁰ Property identification and registration can be done in accordance the use of such property or its location.⁴¹

Under property use, the property is identified as either for commercial, residential, or mixed purpose. Local governments which have not valued their properties, classify them based on their use so that commercial properties are charged differently from residential properties.⁴²

Property location is used by most LGAs to impose the flat rate on properties located in different localities. This basis also takes the factor of property use simultaneously, that is for example a building located in Central Business District is taxed differently according to its use.

The Councils were found to have not identified the property in their areas. For example, one respondent stated that, “the Council is planning to undergo mass valuation of property in four (4) wards as a pilot of the property tax introduction in the Council”. No specific response as far as identification of property could be drawn from the other Councils.

3.3 Property Valuation

Property valuation is the process of obtaining the real value of the property. It is a step by step process that requires several activities to be performed so as to come out with the value of a property.⁴³ According to Kayuza (2006), property tax coverage in most of Tanzania LGAs has been low as large proportions of the property are not valued. Consequently, low property coverage in valuation rolls results into low revenue collections.⁴⁴

The situation of not having the valuation roll or property register or outdated property register leads LGAs into being unrealistic in projection of the tax, sometimes because of leaving some property untaxed. Absence of the roll was observed in all the case Councils, this means that the reform could not be implemented in the absence of the roll in the case Councils. Respondents in this study had a general view that the Councils have not valued the property yet, but they are planning to undergo mass valuation of property.

Despite of the fact that valuation is one of the major steps towards a realistic ad valorem property rates, the effects of the Written Laws (Miscellaneous) Amendments (No. 2), Act⁴⁵ has left valuation an unnecessary component of the rates system in Tanzania. This law introduced flat rate system of taxing property rates where property values do not count.

3.4 Collection of Property Rates in the Councils

All the case Councils were aware of the property tax reform and the fact that their Councils were legally empowered to collect the tax. During the study, other actions taken as a response towards the reform were almost the same. Respondents in this study had a general view that the Councils are in the initial stages of undergoing mass valuation of property in the Councils and then they are planning to start the bylaws making processes. For example, one respondent stated that, “the Council is planning to undergo mass valuation of property in four (4) wards as a pilot of the property tax initiation in the Council”.

However, the pace of the Councils responding to the reform is slow and ill-structured. The Councils are of the opinion that property valuation takes precedence over the bylaws making. The paper suggests that since bylaws form a component of the legal framework for property taxation, then they need to take precedence over property valuation.

⁴⁰ Local Government Training Institute (LGTI), Local Revenue Enhancement Manual, (2015): Module 3, p. 5

⁴¹ Ibid

⁴² Ibid

⁴³ Katunzi, *ibid*

⁴⁴ Kayuza, H.M. 'Real Property Taxation in Tanzania: An Investigation on Implementation and Taxpayer Perceptions.' (PhD Thesis, Building and Real Estate Economics Royal Institute of Technology Stockholm, Sweden 2006), 1-2.

⁴⁵ Act No. 6 of 2019

4 Challenges in Implementing the Reform in the Councils

The case Councils were found to be faced with various challenges that hindered the implementation of the reform as highlighted under this part. The challenges are such as erosion of tax base through exemptions under the law, long bylaws making process, delays in the approval of council bylaws at the ministry level, and the lack of funds to finance valuation exercise. This follows the available data which indicates a tentative costs of valuation of a single property which stood at an average of USD 22.95 to value a single property.⁴⁶

4.1 Tax Base Erosion

The law in Tanzania exempts most property listed above from property tax as per Section 7 (1) (a)-(h),⁴⁷ the Minister⁴⁸ can also exempt property under Section 7 (1) (i). The law further vests powers to exempt property to the Councils under Section 23 (1). The Section empowers LGAs to reduce or remit any rate levied on any rateable property which was erroneously levied or if there are circumstances which so require. The exemption regime is therefore wide enough to erode the tax base for property tax and District Councils such that the Councils need to be cautious when exercising their powers to exempt.

The property tax base is declining in some jurisdictions because of explicit policy decisions to limit the use of property taxes by local governments through exemptions, tax and expenditure limits, and tax incentives (to attract business); narrowing of the property tax base means that the tax rates have to be higher to collect the same amount of revenue. Higher tax rates increase the excess burden of the property tax and make the tax unpopular.⁴⁹ This means, the lower the number of properties liable to tax the higher the rate of tax for the purposes of achieving the budgetary targets.

In almost every country, some properties are excluded from the property tax base (Bird & Slack, 2004). Although there is great diversity in the use of exemptions, some properties are exempt in most jurisdictions including but not limited to: government properties, educational institutions, premises used for worship purposes and cemeteries, public hospitals, charitable institutions, public roads, parks, libraries, foreign embassies, and property owned by international organizations.

4.2 Long Bylaws Making Process

Bylaws making in District Councils involves a number of processes, these include consultation or notice through which District Councils are required to issue fourteen days notice of intension to make the bylaws. Then the Council is required to seek for comments from the Regional Commissioner.⁵⁰ As part of administrative law, subjects of the tax must be consulted and allowed to make their comments or otherwise object the bylaws making process as they stand to be ultimate bearers of the consequences of the said bylaws. This process is cumbersome and takes a lot of time to effect the property rates system.

Then approval of the bylaws by the Minister responsible with local governments must be obtained, although studies suggest that in very rare cases the bylaws are turned down by the Minister.⁵¹ Lastly, the bylaws will be submitted to the office of the Attorney General, Department of Chief Parliamentary Draftsman for vetting.⁵² This long processes involved in the making of the Council bylaws hinder the implementation of the reform in a timely manner.

4.3 Delays in the Approval of Council Bylaws

There are two levels involved in the approval of District Council bylaws. At the first level the bylaws are lodged with the Regional Commissioner in the region in which the Council is situated for comments and subsequent submission to the Minister.⁵³ As pointed

⁴⁶ Geho, M. L. Prospects of Applying Computer Aided Mass Valuation in Tanzania, pages 1 and 8.

⁴⁷ Property such as government properties, educational institutions, churches and cemeteries, public hospitals, charitable institutions, public roads, parks, libraries, foreign embassies, and property owned by international organizations are exempt from the tax under the Section

⁴⁸ (Responsible for Local Government as per Section 2 of the LGFA)

⁴⁹ Slack, op. cit, p. 9

⁵⁰ Local Government Training Institute (LGTI), Local Revenue Enhancement Manual, (2015)

⁵¹ Fjeldstad, OH and J. Semboja. Dilemmas of Fiscal Decentralization. A Study of Local Government Taxation in Tanzania. Forum for Development Studies, Vol. 27, No. 1 (2000): 9.

⁵² Ibid, p. 6

⁵³ Sections 155(2), CAP 287 RE 2002

above, the making of tax bylaws are delayed and approvals may not be granted until well into the financial year in which it would have been expected to come into effect.⁵⁴ This follows the fact that taxes have the tendency of dispossessing people of their incomes or revenue such that a careful approach towards their collection is needed.

4.4 Limited Funds to Finance Valuation

In a recent study conducted in 2015 by Katunzi *et al*⁵⁵ regarding valuation of property for property taxation, lack of funds for conducting such valuation was found to be among the challenges in implementing property taxation in local government authorities in Mainland Tanzania.

The study found that all the case Councils lack the funds to finance the valuation exercise and this was a hindrance in implementing the reform. Local government Authorities have insufficient revenue to fund the process.⁵⁶ Research shows that most LGAs which had performed valuation were financed by donors or through other donor funded projects such as Tanzania Strategic Cities Project (TSCP) under the World Bank (PMO-RALG, 2013).⁵⁷

However, it should be noted by District Councils that, fair and productive property taxes require not only a good initial assessment, but also periodic revaluation to reflect changes in value. Frequent revaluations, maintain the legitimacy of the tax and reduce the risk of sudden dramatic shifts in tax burdens from large increases in assessed values. For these reasons, the valuation cycle needs to be fairly short.⁵⁸

5. Conclusions

Incorporating relevant studies from the literature and the information from the Respondents, this paper explored the topic of the Implementation of the 2015 Property Tax Reform in District Councils. From the preliminary findings, the researcher found that case Councils are taking a slow pace in the implementation of the reform.

In order for the Councils to effectively implement property tax reforms in Tanzania, it is imperative that the Councils are assisted to make the relevant bylaws that will comprehensively provide for all processes concerned with the tax, as well as undergo property identification, property valuation, and preparation of the valuation roll, rate setting, and collection of the tax. The paper has found that the District as the end of the first two years had not implemented the reforms due to dominance of several challenges.

As argued throughout this paper, to effectively implement the latest property tax reform in Tanzania, it is imperative that Councils make property tax bylaws that will comprehensively provide for all processes concerned with the tax in accordance with the local circumstances of each Council.

The bylaws are important for setting the rate payable by residents in Councils; exempt any part of its area from the tax, setting due dates and the number of installments for the property taxes, methods of assessing the rates and other matters which are not specifically provided for in the respective Principal pieces of legislation.

6. Recommendations

6.1 Curbing Tax Base Erosion

The law creates a very wide exemption regime in the Tanzanian property taxation system. The exemption extends from the legal exemptions under Section 7 (1) (a)-(h), to the exemptions which can be granted by the Minister under Section 7 (1) (i) as well as exemption by the Councils under Section 23 (1).

⁵⁴Odd-HelgeFjeldstad and Joseph Semboja 'Dilemmas of Fiscal Decentralization. A Paper of Local Government Taxation in Tanzania', Forum for Development Studies, Vol. 27, No. 1 (2000), pp. 7-41.

⁵⁵Katunzi, M., et. al, 'The Property Tax Valuation Status in Local Government Authorities around Tanzania Mainland', Local Government Development Journal, Vol. 3 (2015) pp. 27-43

⁵⁶ Ibid

⁵⁷ PMO RALG. (2013). *A Paper on LGAs Own Source Revenue Collection*, Unpublished Report. Dar es Salaam

⁵⁸Slack, E. (2002). 'Property Tax Reform in Ontario: What Have We Learned?' *Canadian Tax Journal*, 50 (2) p. 12

In order for the spirit of property tax reforms to be realized; that is to effectively collect the tax and enhance tax revenue in local governments, this wide exemption regime need to be narrowed.

The exemption powers of the Minister and the Councils need to be regulated through objective criteria rather than being as plenary as they currently appear under the law. With the current law, any kind of property tax reform may be over-ambitious and impossible to achieve its objectives because while on the one hand the reforms may aim at the generation of sufficient revenue, on the other, the tax is eroded through exemptions.

6.2 Shortening the Bylaws Making Process

Bylaws making in District Councils involves a number of processes which entails consultations, comments and approvals from residents, the Regional Commissioner (RC) to the Minister respectively. As argued above, this long bylaws making process renders it difficult to implement property tax reforms timely.

This paper therefore, recommends that in order to make property tax reforms a realistic initiative, template bylaws should be made available at the RC's offices and the Councils should be allowed to take the draft bylaws and make the necessary involvement of the residents and customization of the bylaws. In this way the time that is currently spent in composing the bylaws from scratch will be saved. Consequently, implementation of property tax reforms shall be realistic among Councils in Tanzania.

6.2.1 Timely approval of Council Bylaws

As highlighted above; there are two levels involved in approving of the District Council bylaws, at the first level the bylaws are lodged with the Regional Commissioner in the region in which the Council is situated for comments and subsequent submission to the Minister. Considering the previous recommendation, if the draft bylaws originate from RC's office then there will be no need to seek for his comments.

On the other hand the Minister will be more confident with the draft bylaws because the same had passed through the hands of the RC from scratch, this will therefore reduce delays in the approval of the bylaws at the Ministerial level.

6.3 Allocation of Valuation Fund

As highlighted above, lack of fund to finance valuation is a major hindrance in the administration of property tax in local governments. Because of this reason, most LGAs that had performed their valuation have been financed by donors or through other donor funded projects.

This paper therefore suggests that, unless there are funds specifically allocated by the government to value property in district councils, property tax reforms will continue to be unrealistic and difficult to implement. The Councils need to be assisted in conducting initial valuation of the property so that they effectively introduce the tax. Subsequent revaluations may be done by the Councils themselves by setting aside a portion of own source revenue for that purpose.

6.4 Collection of Property Tax in the case Councils

Upon implementing the above recommendations by the government, that is assisting local governments to lay the necessary foundations for implementing the reforms in a timely manner; the paper recognize the role played by the local governance machineries at the local level from the Village, Ward to the Council level.

The paper thus recommends the actual collection of the tax to be left to these authorities so as to utilize the available human resource at the Council. This will avoid the tax being inconvenient to the government by attempts to administer the same through a separate tax administration machinery which may cause a huge portion of the tax being utilized for collection and enforcement of the tax.

Disclaimer

This article presents findings based on the status of implementation of property tax reform in a period between two financial years (2015-2016) and 2016-2017. This article has been submitted for publication in 2018 to a local journal and it was accepted with minor comments from reviewers which the authors accommodated. However, due to delays for reasons unknown to the authors, the expected issue of the journal has not been published for two years, as a result we decided to remove our submission from the journal. Despite such delayed publication, authors believe that findings of this article are still relevant to date and that lessons contained herein are valid for implementation of any future property tax reforms in district councils of Tanzania.

REFERENCES

- Brunori, D., *Local Tax Policy: A Federalist Perspective*, the Urban Institute Press, (2003), Washington, DC
- Creswell, J., *Qualitative Inquiry and Research Design: Choosing Among Five Traditions*. Thousand Oaks, CA: Sage Publications, (1998)
- Dörnyei, Z., *Research methods in applied linguistics*, New York: Oxford University Press, (2007)
- Geho, M. L. Prospects of Applying Computer Aided Mass Valuation in Tanzania, FIG Working Week 2003 Paris, France, April 13-17, 2003.
- Jones, S., *Principles of Taxation for Business and Investment Planning*, McGraw-Hill, (1998)
- Katunzi, M., et. al, *The Property Tax Valuation Status in Local Government Authorities around Tanzania Mainland*, Local Government Development Journal, Vol. 3 (2015) pp. 27-43
- Kayuza M., *Building and Real Estate Economics*, Doctoral Thesis, Royal Institute of Technology, Stockholm, Sweden (2006)
- Kelly, R. and Musunu, Z., *Implementing Property Tax Reform in Tanzania*, Lincoln Institute of Land Policy, (2000)
- Local Government Resource Centre, 'Bylaws Toolbox', [retrieved on 15th, April, 2015] from www.waterberg.gov.za/docs/bylaws/Bylaws_toolbox_what_1.pdf
- Martinez-Vazquez, B., & J. M. Youngman, 'Making the Property Tax Work: Experiences in Developing and Transitional Countries' (pp. 35-57). Lincoln Institute of Land Policy
- Ngoyo, L., et al., 'Factors Affecting Internal Revenue Mobilization in LGAs in Tanzania', (pp.58-74). Vol.3LGD Journal, (2015)
- Luoga, F., *A sourcebook of Income Tax Law in Tanzania*, Dar Salaam University Press
- Kelly, R., 'Property Rates in Tanzania', Duke University retrieved on 17th, April, 2015 from <http://www1.worldbank.org/publicsector/decentralization/june2003seminar/tanzania.pdf>
- Rogers, T., "Interviews by Telephone and in Person: Quality of Responses and Field Performance," *Public Opinion Quarterly*, 40 (Spring 1976), 51-65.
- Slack, E., (2002), 'Property Tax Reform in Ontario: What Have We Learned?', *Canadian Tax Journal*, 50 (2)
- Slack, E., *the Property Tax in Theory and Practice*, Institute on Municipal Finance and Governance, University of Toronto, (2010)
- SULGO, *Property Rates Quick Guide*, [retrieved on 18th April, 2016] from www.sulgo.or.tz/fileadmin/.../Property_Rates_Guide_Download.pdf
- William, J. et. al, *A Primer on Property Tax: Administration and Policy*, London, Blackwell Publishing Ltd, (2013)
- Frederick, W., "Methodological Bias in Public Opinion Surveys," *Public Opinion Quarterly*, 36 (Spring 1972), 10 5-108
- Youngman, J., *Legal Issues in Property Valuation and Taxation: Cases and Materials*, Chicago, International Association of Assessing Officer Publisher (1994)
- Fjeldstad, O., and Semboja, J., 'Dilemmas of Fiscal Decentralization. A Paper of Local Government Taxation in Tanzania', *Forum for Development Studies*, Vol. 27, No. 1 (2000), pp. 7-41.
- Wassmer, R., 'Property-Taxation'. *National Tax Journal*, Vol. 46, No. 2 pp. 135-159, (1993)
Available on <http://www.ntanet.org/.../ntj-v46n02p135-59> [retrieved on 12th April, 2016]
https://en.wikipedia.org/wiki/No_taxation_without_representation [retrieved on 15th April, 2016]